100th Congress, 1st Session - - - - - - - - - House Document No. 100-39

PROPOSED LEGISLATION—"LOW-INCOME OPPORTUNITY IMPROVEMENT ACT OF 1987"

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A DRAFT OF PROPOSED LEGISLATION TO ENCOURAGE STATE-SPONSORED AND COMMUNITY-BASED DEMONSTRATIONS IN PUBLIC ASSISTANCE POLICY

FEBRUARY 26, 1987.—Message and accompanying papers referred to the Committees on Ways and Means and Education and Labor, and ordered to be printed

---

U.S. GOVERNMENT PRINTING OFFICE

91-011 WASHINGTON : 1987

H780-4

To the Congress of the United States:

I hereby transmit for the consideration of the Congress proposed legislation, entitled the "Low-Income Opportunity Improvement Act of 1987," to encourage State-sponsored and community-based demonstrations in public assistance policy.

This legislative proposals is the result of an exhaustive, year-long Administration study of the needs of poor Americans. Hundreds of welfare recipients, former recipients, and self-help and welfare experts were consulted. The study, "Up From Dependency," concludes that our Nation's current welfare system is both inefficient and ineffective in meeting the needs of the poor and in providing opportunities and incentives for economic independence.

Currently our welfare system is a labyrinth of 59 major welfare programs that require some 6,000 pages of Federal regulations and cost more than $132 billion in FY 1985. Welfare spending has soared since the 1960s, so that today some 52 million Americans, or one in five, benefit from welfare. All told, this spending is more than twice as great as the "poverty gap," or the amount it would take to lift all Americans above the official poverty level. Thus, many Americans who are not poor receive public assistance benefits, even as many others remain in poverty.

The study also found that our current array of welfare programs creates incentives that undermine the willingness to work and become self-reliant. Most welfare recipients say they want to work, but they also say they can often get more on welfare than they can earn in a full-time job. The study found that while current welfare programs provide valuable temporary help to families, that same help replaces the breadwinner and enables young mothers to raise children without fathers.

The study found that by parachuting benefits to individuals from faraway State and Federal capitals, our centralized welfare system also weakens communities. It undermines the implicit social contract among neighbors and neighborhoods that keeps any community peaceful, livable, and productive. Finally, while welfare rescues many Americans from short-term distress, it also mires too many in long-term, unwanted dependency.

I believe we can and must do better. I believe it is time to learn from the mistakes of our centralized welfare system by implementing a new national strategy that stresses grass-roots participation, State and local initiative, and creative ideas for reducing dependency and strengthening economically self-reliant families.

This strategy must build on the enterprise that individuals, communities, and State governments have shown in recent months and years by creating their own alternatives to the current welfare system. Federal legislation enacted since 1980 has given States greater, if still modest, latitude to undertake employment and training programs. The States have responded with reforms that

put a premium on reducing dependency and instilling skills and a sense of pride among welfare recipients. This legislative proposal builds on that success by giving States greater flexibility to implement new ideas aimed at reducing welfare dependency. America's 50 States have always been laboratories for creative social change, and this initiative creates a process to tap that creativity.

This proposed legislation also encourages investment in the hundreds of self-help and anti-poverty initiatives now blossoming around the country. In cities and rural areas, thousands of low-income Americans have mobilized to help themselves, their neighbors, and their children. This proposed legislation seeks to assist those efforts by encouraging local leaders to work with the States in creating welfare policies that will work best for their own communities and citizens. The bill recognizes that a single, national solution to the problem of poverty and welfare dependency cannot work for thousands of distinct communities. The proposed legislation encourages diverse solutions for diverse needs and communities.

Toward these ends, the bill authorizes the waiver of certain rules and requirements in Federal programs in order to promote demonstrations of innovative solutions to the problem of welfare dependency, while ensuring that the rights of families and individuals under Federal civil rights and other laws are protected in the demonstrations. The demonstrations offer opportunities to simplify the delivery of public assistance, to increase the self-sufficiency of low-income families and individuals, and to give States and communities greater flexibility to design public assistance policies that seem most appropriate for their own citizens. The waiver applies to any Federal or federally assisted program intended to alleviate poverty and that meet certain other requirements specified in the bill.

The bill also establishes an Interagency Low-Income Opportunity Assistance Board, with a chairman appointed by the President, to certify and evaluate demonstrations proposed by the States. Each State will be required to report annually on each demonstration.

I urge the Congress to act without delay on this important legislative proposal. I am confident that working together we can provide States and communities the means they need to assist low-income Americans in building lives of dignity and self-sufficiency.

RONALD REAGAN.

THE WHITE HOUSE, *February 26, 1987.*

A BILL

To authorize demonstrations of innovative methods to simplify existing programs of assistance for low-income families and individuals and increase their economic self-sufficiency through improved work opportunities, to afford States and localities the necessary flexibility to streamline programs and reduce duplicative, excessive, and inefficient expenditures, to establish an Interagency Low-Income Opportunity Board, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Low-Income Opportunity Improvement Act of 1987".

Sense of the Congress

Sec. 2. (a) The Congress finds that --

(1) the current system of programs providing assistance to low-income individuals and families inefficiently assists those who cannot meet their own needs;

(2) the current system discourages work when it provides more income than recipients can earn in the kinds of jobs in which they start their working careers; and

(3) reforms are impeded by the many fragmented yet overlapping programs that address the needs of low-income people.

(b) It is the sense of Congress that --

(1) individuals should meet basic living requirements first through their own efforts, then through family, neighborhood, and community support, and finally through public assistance;

(2) an employable individual should seek and accept employment as a condition of public assistance and should not be able to better his financial condition by choosing public assistance as an alternative to employment; and

(3) State and local governments can most effectively assess individual needs and should have flexibility to address all aspects of the current system of providing low-income assistance, including determination of appropriate assistance levels and allocation of public resources, through experimentation with innovative programs providing, in a restructured and simplified manner, assistance to those for whom other resources are inadequate.

Title I - State Demonstrations

Part A - Submission and Certification of Filings

Filing to Conduct Demonstration

Sec. 101. In order to conduct a demonstration in accordance with the provisions of this title, a State shall submit a filing, consistent with the requirements of this part, to the Interagency Low-Income Opportunity Board established pursuant to title II of this Act (hereinafter referred to as the "Board").

Responsibility of Board

Sec. 102. (a) The Chairman (appointed pursuant to section 201(a) of this Act), in consultation with the Board, shall have continuing responsibility for the certification and evaluation of each demonstration conducted pursuant to this title, and shall perform, with advice and assistance from such other Federal departments and agencies as may be appropriate, such other functions as are required to implement the demonstrations.

(b) The Chairman and the Board, in exercising their responsibility with respect to the certification and evaluation of each demonstration conducted pursuant to this title, shall consider the following policy goals:

(1) to insure that public assistance is an adequate supplement for other resources in meeting essential needs;

(2) to focus public assistance resources on efforts to reduce future dependency on public assistance;

(3) to individualize determinations of need for public assistance, and to make such determinations, to the extent possible, through local decisions;

(4) to provide public assistance only to those in need and only to the extent of that need;

(5) to make work more rewarding than welfare;

(6) to require that those who are able to work do so for their public assistance benefits;

(7) to encourage the formation and maintenance of economically self-reliant families;

(8) to require public assistance recipients to take greater responsibility for managing their resources, and to encourage community-based administration of public assistance;

(9) to create opportunities for self-reliance through education and enterprise; and

(10) to reduce the future costs of public assistance by reducing the need for it.

Content of Filing

Sec. 103. (a) A filing to conduct a demonstration under this title may include --

(1) any Federal or federally assisted program a purpose of which is alleviate poverty or the effects of poverty and under which --

(A) the amount of income or assets of the individuals, families, or other groups of program beneficiaries is considered in determining their eligibility for or amount of benefits or services under the program, or

(B) the basis for allocating Federal funding among States or other eligible grantees includes consideration of the size of the low-income population within the jurisdiction served by the grantee, and

(2) any nonfederal public program operated within the State which is designed to alleviate poverty.

(b) A filing shall be submitted by the Governor or his designee, and shall describe in detail the demonstration to be conducted, with particular reference to --

(1) the program or programs to be included in the demonstration;

(2) the classes of individuals and families who will be eligible to participate;

(3)(A) the principles for determining eligibility for and maximum total benefits under the programs included in the demonstration, including income and asset limits to be applied, the form or forms in which benefits are to be provided (such as cash, in kind, vouchers, insurance, or services), and the dollar value to be assigned to benefits to be provided in a form other than cash; and

(B) information sufficient (i) to demonstrate that benefit levels will be adequate to allow individuals and families to reasonably meet the needs previously addressed by the programs included in, but superseded by, the demonstrations, when such benefits are used to

supplement individual, family, and community resources, and (ii) to reasonably assure that the demonstration will not adversely affect those in need;

(4) the way in which the demonstration is expected (A) to improve low-income individuals' and families' opportunities and abilities to achieve economic independence through employment, (B) to improve the functioning of low-income communities in support of the efforts of such individuals and families to attain independence, and (C) to improve the efficiency and effectiveness of the programs included in the demonstration.

(c) The filing shall specify the employment-related activities, such as job search, and work and training activities designed to directly improve employability, that will be required of individuals receiving assistance under the demonstration, and the circumstances in which such individuals will not be required to participate in such activities.

(d) The filing shall also --

(1) specify the geographic area or the political subdivisions within which the demonstration will be conducted and designate the agency responsible for the day-to-day conduct of the demonstration;

(2) describe steps that will be taken to make the information required by subsections (b) and (c) readily available to the public in the geographic areas or political subdivisions affected;

(3) specify the time period during which the demonstration will be conducted and the reasons that such period was selected;

(4) specify the laws or parts thereof, and the regulations thereunder or parts thereof, applicable to any Federal or federally assisted program to be included in the demonstration for which waiver is requested;

(5) describe a plan for evaluating the results of the demonstration, including (A) the way in which provision has been made by the State for the use of control or comparison groups to assess the extent to which dependency on welfare has been reduced in excess of the reduction that would have occurred in the absence of the demonstration or, if the use of such groups is infeasible, the alternative methods that will be adopted to obtain measurable results during and after the completion of the demonstration, and (B) the measures that the State proposes for use in assessing the extent to which dependency on welfare and other programs serving low-income populations has been reduced;

(6) contain a budget setting forth the amounts and sources of funding for the demonstration (including Federal funds that would have been made available under

the programs included in the demonstration, determined in accordance with section 104(a)), and nonfederal funds that would have been required in order to obtain such Federal funding under the rules of the programs to be included in the demonstration, and any other sources;

(7) provide for the conduct of audits in accordance with the provisions of chapter 75 of title 31, United States Code; and

(8) contain an agreement to submit an annual report and to cooperate as necessary for the Board's review and evaluation of the demonstration.

The agency designated in paragraph (1) may conduct the demonstration directly, or may do so, in whole or in part, through grants to or contracts with public or private agencies, or individuals, but the Governor must in any case retain final responsibility for compliance with all requirements imposed by or pursuant to this title, or with actions agreed to by the State in its certified filing.

(e) The filing shall describe the procedures for determining the initial and continuing eligibility of, and benefits for, individuals and families, and all administrative and fiscal procedures to be applied in the conduct of the demonstration. These procedures must insure that all eligibility and benefit amount standards will be accurately applied and that funds under the demonstration will be expended consistent with principles of sound fiscal management. Such procedures may be the same as those already

applicable to a program included in the demonstration, or may differ in whole or in part from currently established procedures, but must clearly and reliably assure responsible program administration.

Certification of Demonstration;
Waiver of Inconsistent Requirements

Sec. 104. (a)(1) Prior to certification by the Chairman of the filing, the head of each Federal department or agency with responsibility for a program to be included in the demonstration shall, with respect to each such program (or part of a program), estimate the amount of Federal funds that would, but for the demonstration, be provided to the State, or an entity within the State eligible to receive such funds, to operate such program (or part of a program) during each fiscal year that the demonstration is in effect and the amount of nonfederal funds that would be required in order that the State be eligible for such Federal funds. Each Federal department or agency head shall provide a statement of the principles and assumptions to be employed in making such estimates, including, in the case of any programs with respect to which the department or agency head has discretion in the provision of funds, the recent experience of such State (or grantees or contractors within the State) with respect to fund awards under such program. The principles and assumptions shall be consistent with all Federal laws and regulations applicable to the programs, and the funding of

those programs, as in effect at the time the estimates are made. The amounts and the principles and assumptions shall be reported to the Board.

(2) The State shall provide to the Board a statement of the principles and assumptions it employed in developing its budget and funding levels referred to in section 103(d)(6).

(b) The Chairman shall determine whether the funding determined by the Federal agency heads referred to in subsection (a)(1), and the budget and underlying principles and assumptions described in subsection (a)(2) as submitted by the State, are consistent and are adequate to carry out the demonstration. If so, the Chairman shall approve the amount and sources of funding for the demonstration and, with the concurrence of the State, that funding shall be deemed to be included in the budget contained in the filing.

(c) If, during any fiscal year that the demonstration is in operation, the Federal laws or regulations under which such funding is authorized or provided are amended, or new Federal law applicable to any such program is enacted (or new regulations adopted), the Chairman shall adjust the amounts reflected in the budget in accordance with applicable Federal law and regulations and the principles and assumptions referred to in subsection (a). In any event the budget shall be reviewed and revised, in accordance with such principles and assumptions and all currently applicable Federal law and regulation, not less frequently than annually.

(d) The amount approved by the Chairman pursuant to subsection (b), or the revised amount adopted pursuant to subsection (c), shall be the amount of Federal funds available for carrying out the demonstration in any fiscal year.

(e) The Board shall establish a schedule pursuant to which payments will be made by each agency responsible for the administration of a program included in the demonstration from the funds appropriated to carry out such program.

(f) Notwithstanding the preceding provisions of this section, if it is determined at any time that the State received, prior to the commencement of the demonstration, an amount of Federal funds under any program included in the demonstration in excess of the amount to which it was entitled, or which it should have received, by reason of the application of any provision regarding erroneous expenditures under the program or because of overpayment by the Federal Government to the State for any other reason, the amount which the State would otherwise receive to carry out the demonstration shall be reduced to the same extent and in accordance with the same procedures that would have been applied had the State continued to operate, apart from the demonstration, the program in which the overpayment is determined to have been made.

(g) The Chairman may establish a single nonfederal share requirement for each year for purposes of accounting for funds expended under each demonstration. Such share

shall be established on the basis of the relative proportion of Federal and nonfederal funds contained in the demonstration budget. The Chairman shall also establish a single set of technical grant or contract requirements applicable to the conduct of the demonstration.

(h) Notwithstanding any other provision of law, to the extent that the amount of Federal funds necessary to carry out the demonstration, either for assistance to individuals or families, or for the costs of administration, is less than the amount contained in the budget by reason of the effectiveness of the demonstration in achieving the objectives of this Act, no adjustment shall be made in amounts payable to the State for such demonstration, and the State may treat such Federal funds as reimbursement for expenditures properly made by the State under the programs concerned, to the extent that such funds are used by the State to improve the demonstration or otherwise benefit individuals and families included in the demonstration.

(i) If as described in the filing --

(1) the proposed demonstration is structured to permit sound evaluation of the effectiveness of the demonstration in meeting the objectives of this Act,

(2) the rights of individuals and families under title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1973, title IX of the Education

Amendments of 1972, title VIII of the Civil Rights Act of 1968, and all other applicable law prohibiting discrimination, will be protected, and

(3) all requirements of this title, including the budget, are otherwise met,

the Chairman shall then certify the demostration.

(j) Notwithstanding any other provision of law, the Chairman may waive any law or part thereof, or regulation or part thereof, applicable to a program to be included in the demonstration, the waiver of which is requested by the State, to the extent the Chairman finds such waiver necessary or appropriate to permit the conduct of the demonstration.

(k) The Chairman shall notify the Governor of the State submitting the certified filing of --

(1) the fact of certification,

(2) the laws and regulations, or parts thereof, that are waived for the period of the demonstration, and

(3) the amount of Federal funding that will be available for all included programs, and the schedule of payments.

Exclusivity of Eligibility under Demonstration

Sec. 105. Notwithstanding any other provision of law, if an individual or family is within a class eligible to participate in the demonstration, then any such individual or family shall only be eligible for benefits (whether provided in cash, in kind, in the form of services, or in any other form or manner) under any program included in the

demonstration under the terms and as part of the demonstration (including individuals or families who are ineligible for benefits under the demonstration solely by reason of their income or assets or their failure to comply with a condition of eligibility for benefits under the demonstration.)

Part B - Continued Operation of Demonstrations

Interim Evaluations and Reports; Changes in Demonstration

Sec. 111. (a)(1) The Board shall, during the period throughout which the demonstrations are conducted under this title, carry out activities appropriate to evaluate the progress and effect of the demonstrations.

(2) The Board shall require a State to submit annual reports on the progress of the demonstration.

(b) If (1) the State determines that an amendment to the demonstration, as described in its filing as originally certified, would improve the likelihood of its accomplishing the objectives of this Act, and (2) the amendment meets all the requirements for certification under this title that applied to the filing as originally certified, the Chairman shall certify the State's amendment to its filing. The Chairman shall notify the State of the effective date of the amendment, the increased Federal and nonfederal funding (if any) that will be made available, determined as provided in section 104(c), and any other matters necessary to implement the amendment without adversely affecting the conduct of the demonstration.

Termination of Project

Sec. 112. (a) If, after the commencement of a demonstration, the Governor of the State concerned determines that the demonstration is not achieving (or is not likely to achieve) the purposes of this title, and that the interests of the Federal Government, the State, or the participating individuals, would be better served by returning to the separate conduct of the included programs, the Governor may terminate the demonstration upon the provision to the Chairman of at least 3 months' advance notice (or such greater advance notice as may be necessary so that the separate conduct of the programs involved will resume at the beginning of a quarter in the fiscal year), or at such other time as the Governor, in consultation with the Chairman, may find appropriate.

(b) If, after the commencement of a demonstration, the Chairman determines that the demonstration is not meeting the conditions certified under section 104(i) of this Act or the applicable laws and regulations not waived in the certified filing, the Chairman may terminate the demonstration upon the provision to the Governor of at least 3 months' advance notice (or such greater advance notice as may be necessary so that the separate conduct of the programs involved will resume at the beginning of a quarter in the fiscal year), or at such other time as the Chairman, in consultation with the Governor, may find appropriate.

Part C - Final Reports

Reports by State

Sec. 121. Not later than 6 months following the completion of a demonstration, the Governor of the State concerned shall submit to the Board a final report containing (1) a review of the demonstration, including both its achievements and its shortcomings, and (2) such other findings, comments, or recommendations as he may deem appropriate to assist in restructuring the Federal programs involved to better achieve the objectives of this Act and serve the needs of their beneficiary populations.

Annual Report to Congress

Sec. 122. The Chairman shall prepare and transmit annually a report to the Congress describing the demonstrations being conducted during the relevant year. The report shall provide information about the interim or final results of the demonstrations, and their success in achieving the objectives of the Act, based on the reports furnished by States conducting demonstrations, and on the data and conclusions contained in interim and final evaluations of these demonstrations.

Title II -- Interagency Low-Income Opportunity Board

Establishment and Mission of Board

Sec. 201. (a) In order to provide a focal point within the Federal Government for the development and coordination of innovative policies and activities to improve

opportunities for low-income individuals and families, and to encourage the provision of assistance by both the public and private sectors in a more effective manner, there is established an Interagency Low-Income Opportunity Board. The Board shall be comprised of a Chairman appointed by and serving at the pleasure of the President, the Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, and the Interior, the Attorney General, and the Director of the Office of Management and Budget (or, with respect to each such official, his designee), as permanent members. In addition, for the purpose of carrying out the Board's responsibilities with respect to a particular filing under title I to conduct a demonstration, or with respect to the certification and evaluation of a particular demonstration, the Board shall include the head of each department or agency (or his designee) having responsibility for the administration of a program to included in the demonstration.

(b)(1) The Chairman shall be compensated at the rate provided for level II of the Executive Schedule.

(2) Section 5313 of title 5, United States Code, is amended by adding at the end the following new item:

"Chairman, Interagency Low-Income Opportunity Board.".

(c) The Chairman is authorized to appoint and fix the compensation of personnel as may be necessary to assist the Board in carrying out its responsibilities, in accordance with chapter 51 and subchapters III and VIII of chapter 53 of title 5, United States Code.

(d) The head of each Federal department or agency who is a permanent or other member of the Board shall make available to the Board such assistance as it may require to carry out its activities.

(e) The Board may use the United States mails in the same manner and under the same conditions as other departments and agencies of the United States.

Title III - Miscellaneous

Definitions

Sec. 301. As used in this Act --

(1) The term "State" means the 50 States, the District of Columbia, Puerto Rico, and any Indian tribe.

(2) The term "Governor" includes the Chief Executive Officer of the District of Columbia, and the federally recognized governing body of an Indian tribe.

(3) The term "Indian tribe" means any Indian Tribe, Band, Nation, Rancheria, Pueblo, Colony, or Community, including any Alaska Native village, which is recognized as eligible by the United States Government through the Secretary of the Interior for the special programs and services provided to Indians because of their status.

Authorization of Appropriations

Sec. 302. There are authorized to be appropriated for fiscal year 1988 and each fiscal year thereafter such sums as may be necessary to carry out the provisions of this Act.

Effective Date

Sec. 303. This Act shall become effective on enactment.

Section-by-Section Summary of the "Low-Income Opportunity Improvement Act of 1987"

Short Title

The first section of the draft bill gives its short title, the "Low-Income Opportunity Improvement Act of 1987".

Sense of the Congress

Section 2(a) of the draft bill sets forth the Congressional findings that the current system of programs inefficiently assists low-income individuals and families, discourages work when benefits exceed amounts that recipients could earn as they begin their working careers, and impedes reforms with programs that are both fragmented and overlapping.

Subsection (b) states the sense of the Congress that individuals should be able to meet basic living requirements, first through their own efforts, then through family, neighborhood, and community support, and lastly through public assistance; that an employable person should seek and accept employment and not be better off by choosing public assistance in lieu of employment; and that State and local governments can most effectively assess individual needs, and should have flexibility to address all aspects of providing assistance and managing the system of public assistance programs.

Title I - State Demonstrations

Part A - Submission and Certification of Filings

Filing to Conduct Demonstrations

Section 101 provides that, to conduct a demonstration under title I, a State must submit a filing meeting the requirements of part A, to the Interagency Low-Income Opportunity Board established in title II of the Act (referred to below as the "Board").

Responsibility of the Board

Section 102 (a) gives the Board's Chairman (appointed pursuant to section 201(a), described below), in consultation with the Board, continuing responsibility for certification and evaluation of the demonstrations, and authority to perform all functions required for their implementation, with advice and assistance from other Federal departments and agencies as may be appropriate.

Subsection (b) requires the Chairman and the Board, in exercising their responsibility with respect to the certification and evaluation of the demonstrations, to meet specified policy goals.

Content of Filing

Section 103(a) permits the inclusion in a demonstration of any Federal or federally assisted program a purpose of which is to alleviate poverty and under which an individual's or family's eligibility or benefits are based on their income or assets, or Federal funds are allocated to grantees on the basis (at least in part) of their low-income population, and any nonfederal public program operated within the State and intended to alleviate poverty.

Subsection (b) requires the filing submitted by the Governor to describe in detail the nature and content of the proposed demonstration. Specifically, it must enumerate --

- the program or programs that will be included in the demonstration;

- the classes of individuals and families who will be eligible to participate;

- the principles for determining eligibility, maximum total benefits, income limits, and treatment of assets, and the form (e.g., cash, in kind, vouchers, services, etc.) in which benefits will be provided and the dollar value to be assigned to noncash benefits;

- information sufficient (i) to show that benefit levels will be adequate for individuals to reasonably meet the needs previously met by all the included programs when benefits under the demonstration are used to supplement individual, family, and community resources, and (ii) to reasonably assure that the demonstration will not adversely affect those in need;

- the way that the demonstration will improve (A) low-income individuals' and families' employability, (B) the functioning of low-income communities in support of individual and family efforts to attain economic independence, and (C) the effectiveness and efficiency of included programs.

Subsection (c) requires the filing to describe the work-related activities in which participation will be required, and the exceptions from the participation requirements that will be allowed.

Subsection (d) requires the filing also:

- to specify the geographic areas or political subdivisions in the State in which the demonstration will be conducted, and to designate the agency responsible for its day-to-day conduct;

- to describe the steps by which the eligible classes, included programs, and work requirements will be publicized within the affected areas of the State;

- to specify the time period for which the demonstration will be conducted, and the reasons for selecting that period;

- to specify the laws and regulations applicable to any federally authorized program to be included in the demonstration for which waiver is sought;

- to describe an evaluation plan, including (A) the provision for the use of comparison or control groups to assess the amount of reduction in welfare dependency that is attributable to the demonstration, or if the use of those groups is infeasible, the alternative methods for obtaining measurable results of the demonstrations' effects that will be adopted, and (B) the measures which the State proposes for use to assess the extent to which dependency on welfare and other programs for low-income groups has been reduced;

- to contain a budget detailing the amount (and sources) of funding for the demonstration, including the Federal funds determined under section 104(a) (described below), and the nonfederal matching funds, that would have been available for the programs to be included in the demonstration, and any other amounts and sources of funding;

- to provide for the conduct of audits in accordance with the Single Audit Act of 1984; and

- to contain an agreement to submit an annual report.

The subsection also specifically authorizes the agency to carry out the demonstration itself, or by grant or contract, but requires the Governor to retain final responsibility for all matters covered in the filing.

Subsection (e) requires the filing to describe all procedures pertaining to determining eligibility and benefits, and all administrative and fiscal procedures. The procedures must ensure accurate determinations of eligibility and benefits and the use of sound fiscal management principles. The procedures may be the

same as those currently employed for one or more of the included programs, or may be entirely new, but in any event must clearly assure responsible program administration.

Certification of Demonstration; Waiver of Inconsistent Requirements

Section 104(a)(1) requires that, prior to certification by the Chairman of the filing, the head of each Federal agency responsible for the administration of an included program will estimate the amount of Federal funds that the State (or an eligible entity within the State) would have received under that program for each year of the demonstration, as well as the nonfederal matching funds that would have been required. The agency head will also provide the Board with a statement of the principles and assumptions to be used in making those estimates. The principles and assumptions are to reflect Federal law, including appropriations, and regulations in effect at that time and, in the case of discretionary programs, the recent experience of the State (or grantees or contractors in the State) with respect to fund awards.

Paragraph (2) requires the State to provide a similar statement of the principles and assumptions it used in developing its budget.

Subsection (b) directs the Chairman to determine whether the budget, and underlying calculations, principles, and assumptions, developed by the State and the Federal officials, are consistent, and whether the funding is adequate to carry out the demonstration. If so, the Chairman will approve the sources and amount of funding, and those data will be deemed to be part of the budget submitted by the State.

Subsection (c) directs that, should there be changes in Federal laws or regulations authorizing or funding a program included in the demonstration, the Chairman will revise the budget using the principles and assumptions originally employed. In any event the budget will be reviewed, and revised as necessary, not less often than annually.

Subsection (d) provides that the amount approved by the Chairman under subsection (b), or the revised amount adopted under subsection (c), will be the amount of Federal funds available for the demonstration.

Subsection (e) directs the Board to establish a payment schedule. Payments will be made by each agency responsible for an included program.

Subsection (f) provides that if it is determined, after the commencement of the demonstration, that a State had been previously overpaid under any program included in the demonstration, then the amount that would otherwise (under the

preceding provisions of this section) be made available shall be reduced, in accordance with the procedures applicable to recovery of overpayments under the affected program.

Subsection (g) states that the Chairman may establish a single annual nonfederal share requirement (based on the relative proportion of Federal and nonfederal funds contained in the budget) and shall establish a single set of technical grant or contract requirements.

Subsection (h) provides that if the demonstration costs less to operate than was originally estimated by reason of its effectiveness in achieving the Act's objectives, no reduction will be made in the amount payable to the State and the State may treat the full amount as Federal reimbursement which it properly received, to the extent that those Federal funds are used to enhance the demonstration or otherwise to benefit low-income groups in the demonstration.

Subsection (i) provides that if, as described in the filing --

- the demonstration is structured to permit sound evaluation of its effectiveness,
- the civil rights of individuals and families, under all applicable laws, will be protected, and
- all the requirements described above, including the budget, are met

the Chairman will certify the filing.

Subsection (j) authorizes the Chairman to waive any law or regulation, or part thereof, applicable to an included program, as is requested by the State and found necessary or appropriate by the Chairman to conduct the demonstration.

Subsection (k) requires the Chairman to notify the Governor of --

- the certification of his filing,
- the waivers that have been granted, and
- the amount and schedule of Federal payments.

Exclusivity of Eligibility Under Demonstration

Section 105 provides that any individual or family who is within a class eligible to participate in the demonstration may receive benefits or services provided by an included program only

under the demonstration (i.e., the individual or family may not opt to receive program benefits outside of the rules of the demonstration).

Part B - Continued Operation of Demonstrations

Interim Evaluations and Reports; Changes in Demonstration

Section 111(a)(1) requires the Board, during the life of the demonstration, to carry out appropriate activities to evaluate its progress.

Paragraph (2) of this section provides that the Board must require States to submit annual reports on the progress of the demonstration.

Subsection (b) authorizes the State to make amendments to its original filing to conduct a demonstration under the conditions described below. The Chairman will certify the amendment submitted by the State to improve its demonstration's effectiveness if the amendment meets all the requirements that were applicable to the original filing. The Chairman will notify the State of the effective date, the additional funding, if any, that will be available, and any other matters necessary to implement the change without adversely affecting the demonstration.

Termination of Project

Section 112(a) authorizes the Governor to terminate a demonstration if he finds it is not achieving its purposes or if the interests of the Federal Government or the State, or of participants, would be better served by the operation of the separate programs. Three months' advance notice (or, if greater, notice of sufficient length to have the termination occur at the beginning of a quarter) must be given, or the termination may become effective at any other time the Governor, in consultation with the Chairman, finds appropriate.

Subsection (b) provides termination authority for the Chairman. If he determines that the demonstration is not meeting the applicable requirements of this title, or of the relevant laws or regulations (or parts thereof) that were not waived, then the Chairman may terminate the demonstration. The notice requirements are parallel to those described in the preceding subsection.

Part C - Final Reports

Report by State

Section 121 specifies that the Governor of each State conducting a demonstration must submit a final report to the Board no later than 6 months after the close of the demonstration. The report must include a review of the demonstration's achievements and shortcomings, and whatever other information and recommendations the Governor finds appropriate to assist in restructuring Federal benefit programs to better achieve the purposes of the Act and serve their beneficiary populations.

Annual Report to Congress

Section 122 provides that the Chairman must transmit an annual report to Congress, describing the demonstrations in operation during the year concerned. The report will contain information from the States' interim and final reports, and from the interim and final evaluations of the demonstrations.

Title II - Interagency Low-Income Opportunity Board

Establishment and Mission of Board

Section 201(a) of the draft bill establishes the Interagency Low-Income Opportunity Board. The Board is made up of a Chairman appointed by and serving at the pleasure of the President, and, as permanent members, the Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, and the Interior, the Attorney General, and the Director of the Office of Management and Budget or, with respect to each Secretary, the Attorney General, and the Director, his designee. Additionally, when the Board is acting with respect to a filing that includes a program for which any other department or agency head has responsibility, that Secretary or agency head (or his designee) will be a member of the Board. The subsection states that the Board is established to provide a focal point within the Federal Government for developing and coordinating new policies to aid low-income individuals and families, and encourage the more effective provision of assistance from both the public and private sectors.

Subsection (b) provides that the Chairman will be compensated at Level II of the Executive Schedule.

Subsection (c) authorizes the Chairman to appoint and fix the compensation of personnel necessary for the Board in accordance with specified portions of title 5 of the United States Code.

Subsection (d) directs the head of each Federal department or agency who is a member of the Board to make available such assistance as the Board may require to carry out its responsibilities.

Subsection (e) authorizes the Board to use the United States mails in the manner and under the same conditions as other departments and agencies of the United States.

Title III - Miscellaneous

Definitions

Section 301 specifies that, for purposes of the Act --

(1) "State" means the fifty States and the District of Columbia, Puerto Rico, and any Indian tribe.

(2) "Governor" includes the Chief Executive Officer of the District of Columbia, and the federally recognized governing body of an Indian tribe.

(3) "Indian tribe" means any Indian tribe (or other similar group), or Alaska Native village, recognized as eligible by the United States through the Secretary of the Interior for the special programs and services provided to Indians because of their status as Indians.

Authorization of Appropriations

Section 302 authorizes appropriations, beginning with fiscal year 1988, of such sums as are necessary to carry out the Act.

Effective Date

Section 303 prescribes that the Act becomes effective upon enactment.

○